Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration
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regcomments@ncua.gov

Subject: Comments on Advanced Notice of Proposed Rulemaking for Part 704

Dear Ms. Rupp:

I would like to thank the NCUA Board for the opportunity to comment on the ANPR for Corporate Credit Unions.

As background, Genisys Credit Union serves approximately 122,000 members in three states, with total assets of approximately $1.2 billion. Genisys Credit Union was formed in November 2008, with the merger of T&C Federal Credit Union and USA Credit Union.

Genisys is a member of three corporate credit unions: CenCorp of Michigan, Southwest Corporate, and WesCorp. We utilize our corporates for many services, including:

Settlement, Check 21, ACH Origination and receipt, international and domestic wires, lines of credit, investments, and cash management.

I have reviewed all of the points raised in the ANPR related to the Corporate Credit Union Network, and would like to respond to many of them:

1. **The Role of Corporates in the Credit Union System**

   Payment system - Genisys does not believe it is necessary to separate payment systems from other corporate core business lines in order to separate risk. Corporates have historically been capable of managing risk associated with payments. Separating the payment systems would, in effect, require a separate business model for this process, and this service probably would not have sufficient earnings to support such a model. Risk within the payment systems can be minimized.

   Liquidity and liquidity management - Liquidity management is a core service of corporates that natural person credit unions utilize. Without this service we would be forced to supply the banking industry with millions of dollars of liquid funds. These funds could then be used in the banker's attempt to limit credit unions business. In order to provide this service, corporates must have proper liquidity management of their funds. Corporates have significant fluctuations in cash flow, and therefore the need to manage and estimate future cash flows is critical. NCUA can and should implement controls to ensure corporate liquidity is not threatened, including liquidity policies and modeling, cash flow forecasts, and minimum liquidity standards.

   Field of Membership Issues - Corporate credit unions have had national fields of membership for years. This gives natural person credit unions options, creates healthy competition among corporates, and prevents a monopoly. All corporates should be assessable to any natural person credit union that wants them and supports them. Risk is apparent in every facet of operating…the key is to limit and control risk. Each corporate should evaluate product lines and possibly provide a limited scope of services that they do well in. These services could vary from corporate to corporate, rather than each corporate trying to offer everything.

Expanded Investment Authority - Given the current crisis in the corporate network, Genisys feels that investment authority should be reviewed. This brings the most risk to the balance sheet, and has been a contributing factor to the Corporate Stabilization costs that natural person credit unions have been forced to absorb. We need to be assured a corporate bailout doesn't happen again. Limiting product lines and controlling risks should increase efficiency.

Structure: Two-tiered system - The recent conservatorship of US Central raises into question the need for a two-tiered system. While this system may produce economies of scale for the corporates, it has brought duplication of powers and risk. This risk filters down to the natural person credit unions in the form of a "double hit" to capital, as recently proven with US Central. The loss of capital at US Central has impaired the capital at all other corporates, and has created additional losses to natural person credit unions. Consolidation of corporate functions among the remaining corporates in the single tier is essential. Genisys feels strongly that the two-tiered system brings undo risk to our capital position at other corporates.

2. **Corporate Capital**

Core Capital - Genisys believes the core capital should continue to consist of retained and undivided earnings, as well as paid in capital from members. Capital requirements at corporate credit unions should be equivalent to the requirements of natural person credit unions. A long term goal of 7% is appropriate, but given the current crisis in corporates, it will take some time to get to that level. Corporates should be required to re-build capital in stages, meeting minimum levels over a time frame of five years.

Membership Capital - Genisys does believe membership capital should be an alternative form of capital for corporates. Credit unions not contributing capital should pay more for services provided.

Risk-based capital and contributed capital requirements - Genisys does support risk-based capital requirements for corporates. Members should be expected to continue to support the capital of their corporate credit unions in order to receive special pricing. Those members without a capital interest in their corporate should not receive the same benefits of those absorbing the risk.

3. **Permissible Investments**

Corporate credit unions do need a wider range of investment authorities beyond what a natural person credit union has in order to maintain spreads and provide a return to members. This would require extensive investment and risk management expertise. Corporates should focus on short term investment products. NCUA should also be more proactive in oversight of the investment practices of corporate credit unions.

4. **Credit Risk Management**

Given the recent events, the reliability and value of credit ratings from NRSRO are called into question. Credit ratings have historically been an excellent method of managing risk. However, it cannot be the sole element in determining risk. Additional analysis of underlying collateral is crucial. Limits should be placed on demographic sectors as well as product sectors. Concentration limits need to be monitored, and stress testing tools should be implemented.

5. **Asset Liability Management**

Genisys believes that the NCUA should require net interest income and spread widening modeling as a tool for identifying trends or potential concerns.

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6. **Corporate Governance**

   Genisys believes that the NCUA should require director qualifications and training requirements for board members. The qualifications should graduate with the sophistication of the particular corporate. Term limits are acceptable as long as they are not too restrictive, which would hinder the experience of the board. We do not believe corporate directors should be compensated. The credit union industry was founded in the spirit of volunteerism, and should remain that way throughout the network. We do not feel outside directors would add value to the governance process. Directors cannot be expected to be tactical or micro-manage the corporate. They should, however, contract third party experts to perform semi-annual evaluations of balance sheet risk, especially in the investment portfolio. Executive compensation disclosure should be the same as it is for natural person credit unions. This is an employment contract between the CEO and the Board of Directors. Should US Central continue to be a viable institution, representation from natural person credit unions should be implemented. As recent events have proven, the actions of US Central directly impact NP credit unions, even if they are not direct members.

Conclusion

The recent events within the corporate credit union network have evolved over the past few years, and prove the need for changes in the system. These changes are being considered during a time of uncertainty in the financial markets, which must be considered when changes are implemented.

NCUA *must* do a better job at oversight of the corporate credit unions.

Thank you again for the opportunity to comment.

Sincerely,

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